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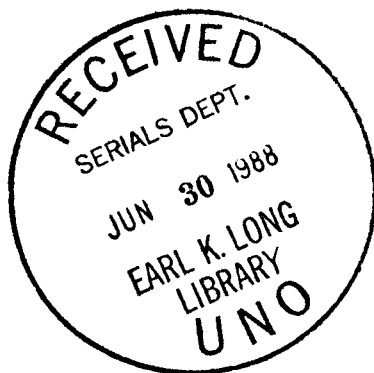
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DIVISION OF BUSINESS AND
ECONOMIC RESEARCH



News Release
August 18, 1987

1987:2 Economic Indicators for the New Orleans Metro Area

The New Orleans Area Leading and Concurrent Economic Indicators are herein provided for April, May and June, 1987. The concurrent indicators show mixed results for the metro area economy; wage and salary employment fell in the second quarter, but other concurrent indicators were generally positive.

The general leading indicator was also mixed, rising in April and May, but falling in June. There has essentially been no trend in this indicator in 1987. This means that the local economy should hold steady in the balance of the year, neither declining further nor significantly advancing.

The petroleum and tourism leading indicators have risen steadily in 1987, implying sustained future growth in these sectors. Movement in the port and construction indicators was mixed.

The following pages contain analysis, tables and graphs. For further information, contact Dr. Michael A. Conte, Associate Director, UNO Division of Business and Economic Research, 286-6981, or Dr. Timothy P. Ryan, Director, UNO Division of Business and Economic Research, 286-6638.

Movement of the Leading Economic Indicators in 1987:2

Table 1 shows the movement in all five leading economic indicators for the months January, 1986 through June, 1987. Each of these indicators is also individually graphed for the months January, 1985 through June, 1987.

The general leading economic indicator, which is a barometer of future overall economic performance in the metropolitan area, rose in the months of April and May, 1987, but fell in June. The general leading indicator is composed of three components: an index of help-wanted ads, the Louisiana rig count and the prime interest rate. On a seasonally adjusted basis, the help-wanted ads have risen in four of the past six months, falling in March and June. The seasonally adjusted rig count rose in each of the first five months of the year, but it also fell in June, while the prime interest rate has risen in each month since February (which depresses the general indicator). Hence, the downturn in the general leading indicator in June results from a small downturn in each of its three components.

In spite of this, a one-month decline in the indicator is not particularly troubling. As shown in the accompanying graph, "General Indicator Trend 1985-Present," the general indicator has followed a winding course throughout the year. If it continues a downward trend in the third quarter, this could be cause for concern about future trends, but this does not appear to be likely for several reasons. First, there are no indications of declines in the oil patch, and second, the upward advance of interest rates appears to be at least temporarily halted. Also, a variety of important local developments signal future economic strength. These include a significant "anchor" tenant in the Almonaster-Michoud Industrial District, the beginnings of work to bring the riverfront aquarium into being, and a commitment to expanding the convention center. None of these developments will have a marked effect on employment or personal income in 1987, but they make the long-term outlook optimistic.

Significant increases in crude oil prices and futures contract prices caused the petroleum indicator to rise throughout the first half of 1987. The June value of 95.8 is the highest recorded value for the petroleum indicator in over one year. Increases in drilling activity are likely to continue slowly, however, as major producers wait to see if the price level is sustained.

The port indicator is based on an index of exchange rates for the dollar. The exchange value of the dollar has generally declined in 1987, making domestic goods more attractive to overseas buyers. As a result, general cargo shipped through the Port of New Orleans has increased. In spite of this, water transportation employment has declined, primarily as a result of continuing efficiency measures at the port. In the long run, these measures should bring renewed health to this local economic

sector. The dollar rose in June, but is not expected to rise on a sustained basis in coming months due to renewed growth in the U.S. trade deficit.

Real Gross National Product (RGNP) measures U.S. production activity, which affects business travel, while Real Disposable Personal Income (RDPI) affects personal travel. These are the two components of the tourism indicator. The deseasonalized values of RGNP and RDPI rose during the first six months of 1987. In response, the tourism indicator increased in the second quarter of 1987. Tourism should remain a major growth sector for New Orleans in 1987.

The construction indicator flattened out in the second quarter, but remained at about one and one-half points above the levels of late 1986. Mortgage rates rose several points in the second quarter, damping activity in the residential construction sector. This was reflected in some falling off of residential construction contracts. However, nonresidential contracts grew modestly in the second quarter. In general, we expect an uneven resumption of building activity in the balance of 1987.

Performance of the 1986 Leading Economic Indicators

Beginning in June, 1986, the general indicator rose steadily for four months; it then fell for two months, but rose again in December. On the basis of this, we predicted that the local area economy would bottom out in 1987, showing neither steady declines nor great increases in employment activity and personal income. The employment picture has indeed been extremely mixed in 1987. Seasonally adjusted wage and salary employment rose in the first quarter, but fell in the second quarter. In spite of the decline in this measure of employment in the second quarter, the metro area unemployment rate declined very significantly, from a seasonally adjusted rate of 11.8% in January to 9.0% in June. This was partially because the seasonally adjusted metro area labor force declined. However, other employment measures (not reported here) indicate that non-wage and salary employment has increased, reflecting new business start-ups and increased commission employment. Neither of these are captured in the wage and salary employment series. It is difficult at this point to know whether these will represent permanent additions to the local area economic base. However, the employment declines shown in Table 2 do not necessarily tell the entire story of employment activity in 1987.

The estimated value of metro area personal income increased by 2.4% in the first quarter of 1987 (the latest period for which a measure exists), although it remained below its level one year previous (not shown in table). This follows three successive quarters of decline in 1986. After adjusting for inflation, the first quarter change amounted to a 1.3% estimated increase in real terms, which is equivalent to a 5.3% annual real growth

rate. However, sustained growth at this pace is unlikely. Modest personal income gains, possibly mixed with small declines, may be expected for the balance of the year.

As predicted, mining employment started a gradual climb in the first quarter of 1987. It increased 1.6% and 1.7%, respectively, during the first two quarters of 1987 (Table 2), although it remains at 4.9% less than one year previous.

As noted above, water-borne transportation employment fell throughout the second quarter of 1987; however, general cargo tonnage has steadily increased, which is consistent with our predictions for the port sector.

Deplanements and hotel/motel occupancy tax revenues increased 14.0% and 14.6%, respectively, between 1986:2 and 1987:2 (Table 2). As of May, 1987, hotel and motel occupancy rates (not reported here) were 8.7% greater than for the first five months of 1986. Our prediction was for steady growth in this sector of the economy.

Seasonally adjusted construction employment increased by 1% in the first quarter of 1987, but then fell by 3% in the second quarter. This bears out our prediction of an unsteady course for construction employment in 1987.

TABLE 1

NEW ORLEANS METROPOLITAN LEADING INDICATORS
JANUARY, 1986 - JUNE, 1987

	I	II	III	IV	V
MONTH	GENERAL	PETROLEUM	PORT	TOURISM	CONSTRUCTION
1986					
JANUARY	92.8	101.6	88.3		84.8
FEBRUARY	92.2	95.0	90.8	116.9	88.0
MARCH	91.9	91.2	92.6		86.6
APRIL	91.3	88.9	91.7		86.8
MAY	90.4	90.2	93.5	117.8	85.6
JUNE	90.4	89.3	93.8		84.3
JULY	91.2	89.3	95.4		82.2
AUGUST	91.8	89.8	96.9	117.7	81.4
SEPTEMBER	92.5	90.1	98.8		81.3
OCTOBER	92.3	90.0	97.8		81.8
NOVEMBER	92.0	90.3	96.6	118.3	82.2
DECEMBER	91.8	91.5	98.7		83.3
1987					
JANUARY	92.5	93.1	102.3		83.0
FEBRUARY	92.4	93.5	103.5	121.6	84.9
MARCH	92.1	93.8	104.1		82.3
APRIL	92.6	94.2	104.4		83.5
MAY	92.7	95.3	105.5	122.7	82.4
JUNE	91.9	95.8	105.0		84.2

TABLE 2. NEW ORLEANS METROPOLITAN CONCURRENT INDICATORS
(Quarterly data seasonally adjusted, except Consumer Price Index)

	1986:2	1986:3	1986:4	1987:1	1987:2	% Change
SALARY WAGE	516,304	510,431	510,005	514,432	508,027	-1.6
MANUFACTURING	43,049	42,612	43,199	43,600	43,157	0.3
NON-DURABLE GOODS	21,073	20,693	20,826	21,027	21,135	0.3
DURABLE GOODS	21,976	21,919	22,372	22,573	22,022	0.2
MANUFACTURING	473,255	467,819	466,806	470,832	464,870	-1.8
CONSTRUCTION	17,677	16,504	16,265	16,525	16,811	-4.9
TRANSPORTATION, COMMUNICATION, & PUBLIC UTILITIES	24,608	24,408	23,681	23,910	23,214	-5.7
RETAIL TRADE	43,729	43,090	41,934	42,878	41,497	-5.1
WHOLESALE & RETAIL TRADE	139,805	137,621	136,141	135,161	132,995	-4.9
FINANCE, INSURANCE, REAL ESTATE	32,711	32,750	33,258	34,250	33,872	3.5
SERVICES	129,722	128,708	130,694	133,106	132,108	1.8
GOVERNMENT	85,002	84,738	84,833	85,000	84,373	-0.7
UNEMPLOYMENT RATE (%)	10.7	11.3	11.4	11.4	9.5	-1.2
PERMITS (100)	7,725	7,878	8,355	8,913	8,808	14.0
HOTEL OCCUPANCY REVENUES (\$1000)	2,686	2,573	2,912	3,193	3,077	14.6
PER CAPITA INCOME (\$MIL) (a)	4,135	4,081	4,037	4,135	NA	-0.6 (b)
CONSUMER PRICE INDEX 1967=100	326.5	328.9	330.8	334.5	338.8	3.8

Estimated.
Percent change from 1986:1 to 1987:1

